



# Improving Apprenticeship Delivery in London: A Submission by London Local Government and Business

This briefing updates members on London Councils' recent lobbying activity in relation to the Apprenticeship Levy. London Councils has established a joint position with the Mayor of London, London First, London Chamber of Commerce and Industry (LCCI) and Sub-Regional Partnerships (SRP) to make the case for changes to improve the apprenticeship system in London.

## Analysis

London Councils has developed a paper which has been sent to the Chancellor and the Minister for Apprenticeships and Skills, Anne Milton MP. It makes the case for changes to the apprenticeship levy that will improve the system in London. Organisations that have signed up to the paper include:

- London Councils
- The Mayor of London/GLA
- London First
- London Chamber of Commerce and Industry
- Local London
- South London Partnership
- Central London Forward
- West London Alliance

All these organisations agree that the government needs to move further and faster with levy reforms in order to meet the needs of London and ensure that the levy is fully used in the capital. London Councils and LCCI's London Business 1000 survey in July indicated that many businesses are not fully using their apprenticeship levy and are struggling with the current system.<sup>1</sup> Skills shortages in London are likely to be exacerbated by the dependency on EU migration within key sectors.<sup>2</sup> The apprenticeship levy is a missed opportunity to address skill shortages and improve productivity in London. Any unspent employer funds will leave the London system entirely if they are not used after 24 months.

## Shorter term changes to the Apprenticeship Levy

To enable London's business to deliver more high-quality apprenticeships, the paper proposes the following immediate changes to the operational framework of the apprenticeship levy.

1. Increasing the flexibility of the levy by:
  - b. Allowing for pooling and joint purchasing of transferred apprenticeships.
  - c. Allowing some levy funding to be used for pre-employment training to get people ready for an apprenticeship.
  - d. Allowing up to 10% of levy funding to cover administration costs, banded so that the smallest businesses and levy payers benefit the most.
  - e. Providing additional support to SMEs including administration costs.
  - f. Working with employers and providers to explore ways to increase the number of more flexible or part time apprenticeships.
2. Increase the speed up and supply of Apprenticeship Standards and future proof them:
  - a. Address the large amount of apprenticeship standards which have not progressed past development
  - b. Reduce the timescale for developing apprenticeship standards
  - c. Embed core transferrable skills such as digital in all standards.
3. Make the system more user-friendly for employers and learners
  - a. Adopt a more flexible definition of what constitutes off-the-job training
  - b. Establish a better data system for apprenticeships, underpinned by accessible provider and course information

## Longer term changes to Apprenticeships

In the longer term, we want to discuss with government how the levy can best respond to London's challenges in generating apprenticeships. The paper argues that London government should have a strategic oversight role for the apprenticeship levy in the capital in order to be more responsive to the needs of employers and local economies. This can be achieved in two ways:

1. Ring fence unspent levy funds in London after April 2019

With concern rising about significant amounts of apprenticeship levy being unspent and lost to the capital, the paper seeks to engage with government on how London can retain funds and use them to support levy payers and SMEs to increase apprenticeships. Take-up amongst SMEs is low and could be better addressed with the local insight and expertise of London boroughs, the GLA and businesses working together.<sup>3</sup>

2. Full devolution of the apprenticeship levy

The paper outlines that if the reforms above cannot be achieved, then devolving the system to London (as seen in Scotland and Wales) is the best option for addressing the needs of the capital. An effective apprenticeship levy is crucial for creating a modern Local Industrial Strategy and addressing the capital's historically low take up of apprenticeships. A national system cannot fully respond to the specific challenges of communities and local economies in the same way London government can, working with employers.

## Commentary

The signatories to this letter all support the apprenticeship levy, its principles and potential to improve the capital's productivity and output. They also all recognise its potential to increase social mobility and create more opportunities for Londoners. It is therefore vital that adjustments are made to enable more high-quality apprenticeships to be generated in the capital.

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The system is not delivering on the aspiration of the apprenticeship levy to increase high quality apprenticeships. Starts fell by 24.1 per cent in the 2017/18 academic year compared to the previous year.<sup>4</sup>

A review has been promised on how the levy operates by 2020. By then, millions of pounds will have been extracted from London businesses for the development of high-quality apprenticeships and lost to the London skills system.<sup>5</sup> When skills shortages, in work progression and productivity issues blight the London labour market; this represents lost time and lost funding for London businesses and residents.

We hope that many of the shorter-term recommendations in the report can be delivered prior to a review in 2020. They represent common sense solutions for increasing apprenticeships and broadening the pool of Londoners who can access them. The lack of flexible and part time apprenticeships disproportionately affect access for women and those with caring responsibilities. This must be addressed if we are to tackle overrepresentation of women in low paid, low skilled jobs. For boroughs to work with those furthest from the labour market to access apprenticeships, more resources must be made available to do so. The administrative burden must be reduced, as we know that it prevents some businesses from engaging with apprenticeships.<sup>6</sup> Where there is appetite to deliver apprenticeships, too many employer-led apprenticeship standards have been significantly delayed.

In the longer-term London needs more power, resources and freedoms to create a flexible, responsive and ultimately more effective skills system in London. Devolution of the apprenticeship levy forms an important part of this aspiration. London boroughs are well equipped to understand the demands of local employers and labour markets, addressing the gaps and skill development that enhances local economies and employment. Such insight to communities and places cannot be achieved at a national level. Money raised in London needs to be retained in the capital, particularly when there are significant challenges in the London labour market.

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### [Read our submission to government](#)

#### Endnotes

<sup>1</sup> London Councils and LCCI undertook [a joint survey of 1000 businesses](#) in July 2018 which found 42% of businesses did not plan to use any of their levy over the next 12 months. A further 40% expected to use less half or less.

<sup>2</sup> Dependence on EU migration particularly affects: Construction (30% EU workforce), Tech sector (one third EU workforce), Health (10% of NHS workforce), Hospitality (30% EU workforce). APPG for London, July 2017, [Bridging the Skills Gap](#)

<sup>3</sup> [An annual survey of London businesses](#) found that whilst the proportion of businesses employing an apprentice had increased by 8 percentage points, it had only done so by two percentage points among non-levy payers between 2017 and 2018 .

<sup>4</sup> Department for Education, November 2018, [Apprenticeship and Levy Statistics](#)

<sup>5</sup> An employer has 24 months to spend their contribution to the apprenticeship levy pot before this money is returned to the government. Payments are made to HMRC on a monthly basis.

<sup>6</sup> The London Councils and LCCI in their [joint survey of 1000 businesses](#) found that employers would be encouraged to increase the number of apprentices they employ if there was more and better information about the system (45%) and if it was simpler (39%).

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**This member briefing has been circulated to:**

**Portfolio holders and those members who requested policy briefings in the following categories: Economic Development, Education**